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**FISCAL IMPACT STATEMENT**

**LS 6482**

**BILL NUMBER:** HB 1243

**NOTE PREPARED:** Feb 2, 2007

**BILL AMENDED:** Feb 1, 2007

**SUBJECT:** Fire Sprinklers in Nursing Homes.

**FIRST AUTHOR:** Rep. Mays

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill requires certain health facilities to have automatic fire sprinkler systems before July 1, 2012. The bill provides that if a system is not installed before July 1, 2010, a plan for completion must be submitted to the State Department of Health.

The bill requires the health facilities to have a smoke detector in each resident's room before July 1, 2012.

The bill also requires the Department to publish in the Department's Consumer Guide to Nursing Homes the types of fire sprinkler systems and smoke detectors in a nursing home.

**Effective Date:** Upon passage; July 1, 2007.

**Explanation of State Expenditures:** (Revised) *Summary:* The estimated fiscal impact to the state of requiring smoke detectors in all patient rooms in nursing facilities will depend on the type of smoke detectors installed in those facilities that do not currently have smoke detectors in patient rooms. The maximum estimated fiscal impact of requiring the installation of hard-wired smoke detectors in patient rooms in all Medicaid-certified nursing facilities is estimated to be a maximum of \$25,800 in FY 2008 and \$51,600 in FY 2009. The extent to which nursing facilities choose to install less costly battery-operated detectors will determine the ultimate cost to the state. The Indiana Veterans' Home would not be affected by the provisions of this bill.

The bill also requires the State Department of Health (ISDH) to publish in the Consumer Guide to Nursing Homes information regarding the types and locations of the smoke detectors and the sprinkler system in each nursing facility. The sprinkler status of facilities is already included in the Consumer Guide; the Department

has added the information as the facility surveys collect the data. The smoke detector status of each facility can be added as the annual facility surveys occur throughout the year. The Department reports that this requirement can be performed with existing resources.

*General Background Information:* The bill would require facilities, not currently under a requirement to do so, to have automatic fire sprinkler systems installed throughout the facility by July 1, 2012. Current building requirements for nursing facilities require automatic fire sprinkler systems, so new construction would not be affected. The State Department of Health reports that of about 516 certified comprehensive care facilities in the state, there are currently 9 health facilities in Indiana that do not have automatic fire sprinkler systems. An additional 18 facilities are reported to be partially protected by sprinkler systems.

Comprehensive care units reported as partially sprinklered or do not have fire detection systems and that are located in hospitals and licensed as hospital beds are not affected by the provisions of the bill. A freestanding comprehensive care facility that is owned by a hospital but licensed as a nursing facility would be required to comply with the provisions of the bill. There are five long-term care units that appear to be located in hospital facilities that are reported to be partially sprinklered. The status of these units with regard to the installation of fire detection systems is not known.

The State Department of Health reports that facilities are currently required to meet the standards that were in place when they were initially constructed or certified. Additionally, the Centers for Medicare and Medicaid Services (CMS) requirements have been revised to require that nursing facilities install battery-operated smoke detectors in resident rooms and public areas if they do not have an automatic sprinkler system or a hard-wired smoke detection system in those areas.

*(Revised) Smoke Detection Systems:* Currently, facilities that are fully sprinklered are not required to have smoke detectors in patient rooms. The extent to which fully sprinklered nursing facilities in Indiana also have battery-operated or hard-wired smoke detection systems that meet the specifications in the bill is not known. CMS certification requirements have been revised to require that certified nursing facilities install battery-operated smoke detectors in resident rooms and public areas if they do not have an automatic sprinkler system or a hard-wired smoke detection system in those areas. This requirement was effective in March 2006.

*(Revised) Medicaid Impact:* The estimated fiscal impact to the state of requiring smoke detectors in all patient rooms of nursing facilities will depend on the type of smoke detectors installed in those facilities that do not currently have smoke detectors in patient rooms. The maximum estimated fiscal impact of requiring the installation of hard-wired smoke detectors in patient rooms in all certified nursing facilities is estimated to be an annual total of \$339,340 in state and federal dollars. The state share of the additional expenditure would be approximately \$128,950 each year after 2012 due to the increased capital cost. If the installation of the smoke detectors is assumed to occur evenly across the 5 years available, the state General Fund cost is estimated to be \$25,800 in FY 2008 and \$51,600 in FY 2009. The bill would also allow the installation of less costly battery-operated smoke detectors in patient rooms as well. The extent to which nursing facilities choose to install battery-operated detectors will determine the ultimate cost to the state. The Medicaid forecast for total state and federal nursing facility expenditures is \$873.1 M and \$924.9 M in FY 2008 and FY 2009, respectively.

This maximum Medicaid estimate is based on 2005 rate information, a cost estimate of \$200 per bed, an assumption that all rooms are double occupancy, and an assumption that 25% of the Medicaid-certified beds are in facilities that currently have hard-wired smoke detection systems. (The results of a survey that ISDH

conducted of nursing facility beds in December 2006 indicated that 6,025 nursing facility rooms already have hard-wired smoke detectors.) The survey results did not identify the Medicaid certification status of the rooms and beds. Additional information regarding the cost of system installation indicated costs could range from \$175 to \$400 per room, or \$87.50 to \$200 per bed (assuming two beds per room).

*Indiana Veteran's Home:* The Indiana Veterans' Home has three buildings used for nursing facility comprehensive care: Pyle Hall, McArthur Hall, and Mitchell Hall. All three buildings have sprinkler systems for fire suppression in hallways and public areas; currently, none of the buildings have sprinklers located in patient rooms.

Pyle Hall is currently closed for renovations to install or remediate primary air handler units in individual rooms and to abate mold and asbestos on floors 2 & 3. This project was approved by the Budget Committee in April 2006. In June 2006, the Budget Committee approved another piece of this renovation project; funding to install fire suppression sprinklers in every room. Hard-wired smoke detectors in individual patient rooms are also planned to be part of this project. The facility administrator reported that the Veterans Administration (VA) facility standards require the renovation to bring the building up to current building code requirements. Pyle Hall is scheduled to reopen in June 2007 with 50 single rooms.

McArthur Hall and Mitchell Hall, with capacity for approximately 120 and 140 patients respectively, are expected to qualify for VA grant funding to add fire suppression sprinkler systems in patient rooms during federal FY 2007. Estimated total cost of this project is \$495,000. VA funding of about 65%, or \$318,750, has been preliminarily approved for this project. The state will be required to contribute \$176,250. Currently, rooms in these buildings are reported to have hard-wired smoke detectors, although the fire alarm system is 12 years old and due to be replaced as a part of this project.

If the proposed renovation schedule is maintained, the Indiana Veterans' Home should have the planned renovations completed within the 5-year deadline provided by the bill. Capital projects may be financed from a self-generating Building Fund which is funded by resident maintenance charges paid from Social Security and pensions as well as from VA per diem grant payments. The FY 2006 - FY 2007 Budget Bill appropriated \$1.25 M for National Fire Protection Association (NFPA) fire protection projects at the Veterans' Home from the Building Fund.

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** Nursing facilities that are owned and operated by local units of government would be required to install before July 1, 2012, automatic fire detection systems throughout the facility as well as sprinkler systems if these systems are not currently in place. Of the facilities currently listed as being affected by the sprinkler system requirements of the bill, none are believed to be owned by local units of government. The extent to which nursing facilities owned by local units of government would be impacted by the requirement for the automatic fire detection system is not known.

#### **Explanation of Local Revenues:**

**State Agencies Affected:** Indiana State Department of Health; Office of Medicaid Policy and Planning of the Family and Social Services Administration.

#### **Local Agencies Affected:**

**Information Sources:** State Department of Health, and "State of Indiana List of Appropriations Made by the 2005 Indiana General Assembly for the Biennium July 1, 2005, to June 30, 2007", Indiana Veterans' Home Capital Budget Request Detail.

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